2008 Annual Report

Alliance
GRAIN TRADERS

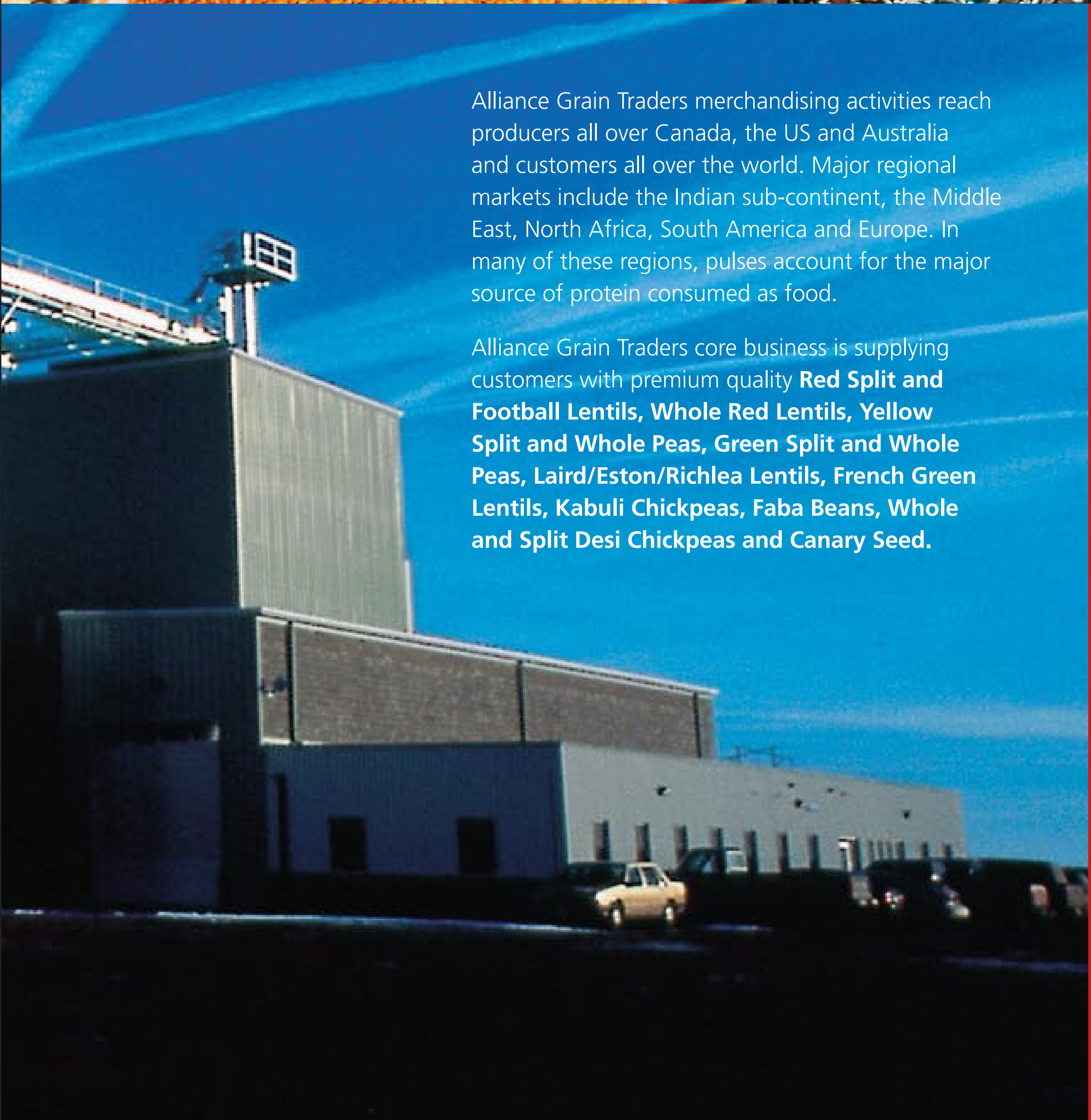
FROM PRODUCER TO THE WORLD

From Producer to the World

Alliance Grain Traders Income Fund is a trusted vehicle for value-added processing of pulse crops in Canada, the US and Australia.

A TRUSTED VEHICLE FOR VALUE-ADDED PROCESSING OF PULSE CROPS

Alliance Grain Traders, a publically traded company on the Toronto Stock Exchange Venture Exchange (symbol: AGT.UN), is the largest lentil and pea splitting company in the world with over 750,000mt of capacity and decades of global marketing experience. With six Canadian production facilities, featuring cleaning, calibration, peeling, splitting and colour sorting lines, Alliance Grain Traders headquarters are located in Saskatchewan – the heart of Canada's largest production area for pulse crops. Alliance Grain Traders, through itís subsidiary United Pulse Trading, operates a facility in North Dakota USA, in the center of the US pulse crop growing region. Alliance Grain Traders operates in Australia as Australia Milling Group from the Victoria State pulse growing region.



Alliance Grain Traders merchandising activities reach producers all over Canada, the US and Australia and customers all over the world. Major regional markets include the Indian sub-continent, the Middle East, North Africa, South America and Europe. In many of these regions, pulses account for the major source of protein consumed as food.

Alliance Grain Traders core business is supplying customers with premium quality **Red Split and Football Lentils, Whole Red Lentils, Yellow Split and Whole Peas, Green Split and Whole Peas, Laird/Eston/Richlea Lentils, French Green Lentils, Kabuli Chickpeas, Faba Beans, Whole and Split Desi Chickpeas and Canary Seed.**

IN MANY REGIONS PULSES ACCOUNT FOR THE MAJOR SOURCE OF PROTEIN CONSUMED AS FOOD

THE WORLD DEMAND FOR QUALITY PROTEIN IS RISING

The world is a different place today than it was just a few months ago. Global recession and financial and economic instability dominate the headlines. One thing remains certain: the world demand for food is growing as populations grow and the world demand for quality protein is rising in both the developed and developing worlds. Pulse crops, lentils, chickpeas, peas and beans, are staple vegetable protein consumed by hundreds of millions of consumers daily in every corner of the globe. As the world's largest lentil and value-added processor of pulse crops, Alliance Grain Traders Income Fund, through our operating companies Saskcan Pulse Trading, United Pulse Trading and Australia Milling Group, has earned a reputation for competitiveness, quality and excellence. Through our Global Diversification Strategy, we are a dominant force in the global pulse processing and export business. Through our eight processing plants in Canada, the US and Australia, we operate modern and efficient assets and our scale and market reach has created high barriers to entry.

Canada has developed a dominant and respected position as a global leader in the production of pea, bean, lentil and chickpea crops. Since the early 1990s, the Canadian pulse industry has experienced dramatic growth. Canadian pulse production has grown from less than one million tonnes in 1991 to over 4.8 million tonnes in 2008 – a more than four-fold increase. Similarly, Canadian pulse exports have increased five-fold over the same time period to 3.5 million tonnes. The US and Australia remain growth areas for pulses as traditional production areas have decreased production while their consumption is rising. Their decline is not by choice. Research and development into new crop varieties in North America and Australia are leaving these origins with a huge competitive advantage to supply the world. Alliance has followed the path of growth of the industry and has positioned itself to capture growth opportunities that present themselves in Canada, USA and Australia.

SALES UP
315%

Farmers are continuing to grow their production of pulses around Alliance's factories. The crops have proven to be more profitable than traditional cereal grains and oilseeds and provide excellent agronomic advantages to the farmer. Crop supply for our business is not a concern. Pulses also play an important role in sustainable agriculture and food production. Pulse crops supply their own nitrogen, using sunlight to power the conversion of this atmospheric gas into a form available to plants, reducing the need for nitrogen fertilizer where natural gas is used to power the conversion. The result is that pulse production lowers agriculture's greenhouse gas emissions from annual crop production. Pulses require half the total energy inputs of other crops, leaving a reduced environmental footprint for cropping systems that include pulses in the rotation. This environmental profile is positive and resonates with the ever environmentally aware consumer.

In 2007, the Fund, with the acquisition of Saskcan Pulse Trading, became a global player in pulses. The public equity market and strong financial performance of the Fund's activities have built the financial strength required to advance our strategies and take advantage of opportunities for growth. In 2008, we were busy integrating Saskcan, Agtech, United Pulse and Australia Milling Group. Opportunities for growth continued with acquisitions of Pulse Depot and Tradewind, with the end result being a company that bears little resemblance to the Fund that began 2007. Our 2008 results show the accretion of the acquisitions and sets the stage for a solid global platform from which to continue our consolidation and expansion strategies. Alliance is achieving earnings growth through its success in diversifying markets for the Fund's products in Latin America, the Middle East, North Africa and the Indian Sub-continent. Continued positive sales performance is due to deeper penetration into export markets and the Fund's success in delivering high quality products at competitive pricing to its customers creating a competitive advantage.

EBITDA

461%

INCREASE

HIGHLIGHTS FROM OUR 2008 PERFORMANCE:

EBITDA increased by 461% in 2008 compared to 2007 to $33.2 million from $5.922 million.

Net earnings for 2008 were $21.7 million or $3.10 per unit and unit equivalent ($2.91 on a diluted basis) before extraordinary gain and other comprehensive income, compared to $3.7 million for 2007 or $1.07 per unit and unit equivalent ($.91 on a diluted basis).

Consolidated sales for 2008 were $328.7 million, up 315% from 2007 sales of $79.1 million.

Capital expenditures for 2008 were $26.7 million, which included acquisitions of $13.6 million and enhancements to building, equipment and vehicles at facilities in Canada, the United States and Australia of $13.1 million.

THE STAGE IS A MARKET VALUE: TRANSFORMING PULSES FROM COMMODITIES TO FOOD AND INGREDIENTS

The food processing world is looking for new and innovative ways to increase the marketability of its products. Health conscious consumers are looking for healthy food choices, high in protein, fibre and vitamins with attributes that assist in lowering the glycemic index. Whole pulses, split pulses, pulse flours, and pulse fractions including protein, starch and fibre, are key ingredients to marketing products that "kids want to eat and moms want to buy". As Alliance looks for ways to enhance its competitiveness and create and capture new demand, we

will focus on maximizing returns from each market segment. With high nutritional benefit, including high levels of dietary fibre and complex carbohydrates, pulses are a "super food". They are excellent contributors to good health. Pulses are a prescription for health delivered to consumers through their grocery cart. As a food ingredient, pulses have been shown to help prevent and combat chronic health issues. Cardiovascular disease, diabetes and obesity are all issues that are top priority for the medical community. Pulses can play an important role in fighting these health challenges.

STAYING AHEAD OF THE COMPETITION

Alliance continues in its push for competitive advantages. A continuous research and development program has kept our processing systems a step ahead. We are the largest scale and most efficient miller of pulse crops in the world. The challenge to stay on top is not taken lightly. We are also developing new products for commercialization. One of the initiatives that I am most excited about is Alliance's partnership with the Saskatchewan Pulse Growers and the Crop Development Center at the University of Saskatchewan where Alliance has been awarded the worldwide commercialization rights to three new classes of pulse crops resulting from the world-class breeding and agronomy partnership in Saskatchewan. The King Red lentil is exciting as it will be the boldest red lentil marketed globally and will allow us to capture market share in the world with a larger and more consistent size red split lentil. This type of lentil will only be produced by Alliance and will allow the King Red to gain a prominent position globally. Alliance will also commercialize the Queen Green lentil and Canadian Faba beans under separate agreements. Alliance is a natural commercialization partner for the research community with its processing base and global market reach. These activities will allow us to stay ahead of the competition.

BUILDING ON SUCCESS

Our competitive advantage continues to be our simple model of "From Producer to the World." We locate our production facilities where farmers grow the raw material and then use technology to transform these commodities to food and ingredients for the packagers, canners, retailers, wholesalers and distributors. State of the art peeling, splitting, calibrating,

destoning, optical colour sorting and packaging systems run in our plants allowing us to supply the highest quality finished products to each market segment we supply. And the world has taken notice of our products as we have achieved significant inroads into markets in every corner of the globe. In the past year, we exported to over 80 countries. It is certainly rewarding to have the opportunity to travel the world and see our customers and see our brand in their warehouses as a "trusted source of supply." The Saskcan brand is a global name in quality and this has continued to allow us to achieve an improved market position in our traditional and new product lines. The global economic crisis of 2008 and the continued recession conditions in 2009 are expected to have minimal impact on the Fund's operations. In fact, in times of economic crisis, staple protein consumption of pulses tend to rise. As disposable incomes contract, food choices are made by the household to ensure their proper nutrition and sustenance. Pulses provide a traditional option of relatively high protein and relatively low cost.

The journey ahead for Alliance is one of opportunity. The global platform is there with strong production assets, diversified product offerings and markets and logistical solutions that allow us to get our product to market. We will continue to grow but will grow with businesses and assets that fit our strategies. We will choose carefully to allow us to minimize integration risks of the acquisitions. One thing is clear – our market position and financial condition is strong in a time of global uncertainty. We are ready to continue down the path that we are on and are ready to take on the challenges of expanding into other value-added processing of pulses, grains and oilseeds capitalizing on the relationships we have already developed. The future looks bright. Our management team and staff are ready for the challenges ahead. With the continued support of our customers, industry partners and investors, we are anxiously awaiting the successes that the future holds.

MURAD AL-KATIB
President and CEO, Alliance Grain Traders

ALLIANCE GRAIN TRADERS INCOME FUND MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

The following management discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto for the years ended December 31, 2008 and 2007, which have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles. This Management's Discussion and Analysis has been prepared as of March 26, 2009. All dollar amounts are in Canadian dollars unless otherwise indicated. Additional information relating to the Fund and Alliance is available on the System for Electronic Data Analysis and Retrieval (SEDAR) at www.sedar.com, under the filings for Alliance Grain Traders Income Fund.

HIGHLIGHTS OF 2008

NET EARNINGS FOR 2008 WERE $21.7 MILLION or **$3.10 PER UNIT** and unit equivalent ($2.91 on a diluted basis) before extraordinary gain and other comprehensive income, compared to $3.7 million for 2007 or $1.07 per unit and unit equivalent ($.91 on a diluted basis).

CONSOLIDATED SALES FOR 2008 WERE $328.7 MILLION, UP 315% from 2007 sales of $79.1 million.

CAPITAL EXPENDITURES FOR 2008 WERE $26.7 MILLION, which included acquisitions of $13.6 million and enhancements to building, equipment and vehicles at facilities in Canada, the United States and Australia of $13.1 million.

BUSINESS OVERVIEW

Alliance Grain Traders Income Fund (formerly Agtech Income Fund) (the "**Fund**") is a limited purpose open-ended trust established on June 25, 2004. The Fund was originally created for the purpose of acquiring all of the voting securities of Agtech Processors Inc. ("**Agtech**"), which transaction was completed on March 22, 2005. The Fund subsequently acquired Saskcan Pulse Trading Inc. ("**Saskcan**") on August 1, 2007 and amalgamated it with Agtech to form Alliance Pulse Processors Inc. ("**Alliance**"). The Fund, through its operating company Alliance, is engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) specialty crops, primarily for export markets. The Fund's companies in Canada, US and Australia handle the full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed. The units of the Fund are listed for trading on Tier 2 of the TSX Venture Exchange under the symbol "AGT.UN".

The Fund owns six processing plants in Canada, one in the US and one in Australia. Canadian operating divisions include Saskcan Pulse Trading, Saskcan Rosetown, Saskcan Agtech, Saskcan Milestone, Saskcan Horizon and Saskcan Pulse Depot. Wholly owned foreign subsidiaries include United Pulse Trading Inc. ("**United Pulse**") in North Dakota, USA and Australia Milling Group Pty Ltd. ("**Australia Milling Group**") in Victoria, Australia, each with one plant. On September 30, 2008 Alliance acquired the 45% non-controlling interest in Saskcan Horizon Trading Inc. ("**Saskcan Horizon**"), which owns a processing plant in Aberdeen, Saskatchewan. Effective October 1, 2008 Saskcan Horizon became a wholly owned subsidiary of Alliance. The Fund's operations currently focus on value added splitting of lentils and peas. It is among the world's largest splitters of pulses.

SELECTED ANNUAL INFORMATION

The following table presents selected financial information for the Fund taken from the financial statements mentioned above.

As an income trust, the Fund derives its revenues solely from the business carried on by Alliance and its subsidiaries. The results of operations for the period ended December 31, 2008 presented in this discussion and analysis reflect the results of operations of: (I) Alliance Pulse Processors Inc. which includes all of the Fund's Canadian operating divisions, (ii) United Pulse, and (iii) Australia Milling Group.

This document contains financial information that is provided in Alliance Grain Traders Income Fund's comparative financial statements and MD&A for the financial year ended December 31, 2008. Presentation of this information in this document is for marketing purposes only. Complete documents are posted on the Fund's website, www.alliancegraintraders.com and under the Fund's profile on SEDAR.

(in thousands of Cdn. $ except as indicated)

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Sales	328,673	79,137	12,108
Cost of sales (1)	278,403	66,359	8,942
Gross margin	50,270	12,778	3,166
Other Income	-	-	8
Selling, general and administration expenses (2)	18,060	7,119	1,917
Amortization in cost of sales (1)	990	263	
EBITDA (3)	**33,200**	**5,922**	**1,257**
Interest	1,516	561	67
Depreciation and amortization (1)	2,026	705	145
Provision for income taxes	8,016	961	133
Add back extraordinary gain (4)	562		
NET INCOME (5)	**22,204**	**3,695**	**912**
Basic net earnings per unit and unit equivalent 6)	3.10	1.07	0.78
Diluted net earnings per unit and unit equivalent (6)	2.91	0.91	0.78
Total assets	148,381	74,071	13,114
Bank indebtedness (short-term debt)	17,448	6,541	1,512
Long-term debt	14,903	6,892	-
Unitholders' equity (7)	68,496	33,978	6,481
Cash distributions declared per unit	0.5479	0.51	0.492

(1) Cost of sales for 2008 includes $989,665 of amortization on equipment used to process inventory. Amortization on other capital assets is $1,035,858. Total amortization of $2,025,523 is added back for the EBITDA calculation. The cost of sales for 2007 has been reclassified to include amortization on equipment used to process inventory. For greater clarity, the $989,665 in amortization was an annual adjustment put into the fourth quarter for presentation purposes.

(2) Excluding interest and amortization. Non-controlling interest in Saskcan Horizon is also included in this number, up to and including the period ended September 30, 2008.

(3) EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) is a financial measure used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. EBITDA is used because the Fund's net income alone does not give an accurate picture of the Fund's cash-generating potential. Management believes that EBITDA is an important measure in evaluating the performance of the Fund and in determining whether to invest in the Fund. However EBITDA is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities of liquidity and cash flows.

(4) The December 8, 2007 fire at the Williston North Dakota facility (operating under the name United Pulse Trading Inc) resulted in total loss and subsequent replacement of certain equipment. Proper insurance was in place to cover all repairs and replacement as well as business interruption. The additional value associated with the replaced equipment resulted in an extraordinary gain in the amount of $561,426. This gain was recognized during the year when the final insurance settlement was completed. Regular plant operations re-commenced in February of 2008.

(5) Net income includes extraordinary gain but excludes non-controlling interest and other comprehensive income of $456,893 which arises from the foreign currency translation of self-sustaining foreign operations.

(6) Basic and diluted earnings per unit and unit equivalent are calculated using net income before other comprehensive income of $456,893 and extraordinary gain of $561,426.

(7) Unitholders' equity includes extraordinary gain of $561,426 and other comprehensive income of $456,893.

DISCUSSION OF ANNUAL RESULTS

The Fund's sales were $328,672,293 for the year ended December 31, 2008, compared to sales of $79,136,612 for the year ended December 31, 2007. This increase from the same period in 2007 is due to the Fund's acquisition of Saskcan and the integration of the US, Australian and Canadian operating division acquisitions from 2007 and the addition of Pulse Depot and Tradewind acquisitions in 2008. Increased volumes as well as increased world food prices are also factors. Increases in world food prices and strong demand from all of the Fund's consumption markets contributed to the strong operational results, as did weak competition from other producing regions, whose supply position was impaired by drought conditions.

When comparing 2008 results to 2007 results, EBITDA increased by 461%. Alliance's sales performance for the year ended December 31, 2008 was in line with management expectations. Management attributes this success to its continued strategy of diversifying markets for the Fund's products, with significant market development in Latin America, the Middle East, North Africa and the Indian Subcontinent. Market diversification is being achieved and with a continued strategy of product mix diversification and origin diversification (through the acquisition of the US and Australian factories). The continued positive sales performance is due to deeper penetration into export markets and the Fund's success in delivering a higher quality product to its customers than that supplied by its competitors, allowing continued strong sales throughout the year.

Summary of Quarterly Results

(in thousands of Cdn. $ except as indicated)	3 Months Ended December 31, 2008[1] (unaudited)	3 Months Ended September 30, 2008 (unaudited)	3 Months Ended June 30, 2008 (unaudited)	3 Months Ended March 31, 2008 (unaudited)	3 Months Ended December 31, 2007[2] (unaudited)	3 Months Ended September 30, 2007 (unaudited)	3 Months Ended June 30, 2007 (unaudited)	3 Months Ended March 31, 2007 (unaudited)
Sales	100,855	107,886	72,314	47,618	42,744	29,689	3,091	3,613
Cost of sales [9]	85,716	91,669	60,267	40,751	35,716	25,079	2,314	2,987
Gross margin	15,139	16,217	12,047	6,867	7,028	4,610	777	626
Other Income	–	–	–	–	–	–	–	–
Selling, general and administration expenses [3]	4,830	5,509	4,399	3,322	3,646	2,332	379	373
Amortization in cost of sales [9]	990							
EBITDA [4]	11,299	10,708	7,648	3,545	3,382	2,278	27	253
Interest	454	409	333	320	108	407	37	19
Depreciation and amortization [9]	698	472	437	419	365	266	–	37
Provision for income taxes	2,573	3,184	1,614	645	686	275	–	–
Add back extraordinary gain [6]	562							
NET INCOME [7]	**8,136**	**6,643**	**5,264**	**2,161**	**2,223**	**1,330**	**334**	**197**
Basic net earnings per unit and unit equivalent [10]	0.95	0.92	0.89	0.34	0.33	0.28	0.25	0.21
Diluted net earnings per unit and unit equivalent [10]	0.89	0.83	0.89	0.30	0.19	0.26	0.25	0.21
Total assets	148,381	160,104	99,857	84,292	74,071	61,154	13,258	13,226
Bank indebtedness (short-term debt)	17,448	34,625	20,483	20,960	6,541	13,724	1,818	1,745
Long-term debt	14,903	8,872	7,844	8,065	–	–	–	–
Unitholders' equity [8]	68,496	60,726	39,990	35,358	33,978	32,281	6,668	6,592
Cash distributions declared per unit	0.137511	0.1326403 [5]	0.138766	0.13898	0.135	0.125	0.125	0.125

Notes:

(1) Calculated from the audited annual financial statements of the Fund for the year ended December 31, 2008, and the unaudited financial statements of the Fund for the period ended September 30, 2008.

(2) Calculated from the audited annual financial statements of the Fund for the year ended December 31, 2007, and the unaudited financial statements of the Fund for the period ended September 30, 2007.

(3) Excluding interest and amortization. Non-controlling interest is also included in this number, up to and including the period ended September 30, 2008.

(4) EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) is a financial measure used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. EBITDA is used because the Fund's net income alone does not give an accurate picture of the Fund's cash-generating potential. Management believes that EBITDA is an important measure in evaluating the performance of the Fund and in determining whether to invest in the Fund. However EBITDA is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities of liquidity and cash flows.

(5) The principal amount of the Alliance Note is increased when the Fund issues Units. The distribution per Unit for the third quarter of 2008 was below the Fund's target of $0.135 per Unit because the Fund issued additional Units during the quarter as described under "Recent Events", and since the additional Units were issued after the beginning of the quarter the promissory notes issued by Alliance in respect of such additional Units (subsequently consolidated into the Alliance Note) did not earn a full quarter's interest income for the Fund.

(6) The December 8, 2007 fire at the Williston North Dakota facility (operating under the name United Pulse Trading Inc) resulted in total loss and subsequent replacement of certain equipment. Proper insurance was in place to cover any repairs and replacement as well as business interruption. The additional value associated with the replaced equipment resulted in an extraordinary gain in the amount of $561,426. This gain was recognized during the year when the final insurance settlement was completed. Regular plant operations commenced in February of 2008.

(7) Net income includes extraordinary gain but excludes other comprehensive income of $456,893 which arises from the foreign currency translation of self-sustaining foreign operations.

(8) Unitholders equity includes extraordinary gain of $561,426 and other comprehensive income of $456,893.

(9) Cost of sales for 2008 includes $989,665 of amortization on equipment used to process inventory. Amortization on other capital assets is $1,035,858. Total amortization of $2,025,523 is added back for the EBITDA calculation. 2007 has been reclassified to include amortization on equipment used to process inventory. For greater clarity, $989,665 in amortization was an annual adjustment put into the fourth quarter for presentation purposes.

(10) Basic and diluted earnings per unit and unit equivalent are calculated using net income before other comprehensive income of $456,893 and extraordinary gain of $561,426.

DISCUSSION OF QUARTERLY RESULTS

The Fund's sales were $100,853,598 for the three months ended December 31, 2008, compared to sales of $107,886,461 for the three months ended September 30, 2008 and sales of $72,314,047 for the three months ended June 30, 2008. When comparing fourth quarter 2008 results to third quarter 2008 results, EBITDA increased by 5.5%. Increased volumes due to acquisitions throughout the year contributed to the increase in sales. In addition, management's focus on product mix and capacity utilization resulted in favourable increases to EBITDA.

Selling, general and administration expenses for the quarter ending December 31, 2008 include a year end foreign exchange adjustment gain calculated on outstanding foreign exchange contracts in the amount of $655,000, which if excluded, would make the quarter four amount consistent with quarter three.

Interest expense for the quarter ending December 31, 2008 is higher than the expense recorded for the quarter ending September 30, 2008 due to higher utilization of the Fund's operating line during the fourth quarter.

Amortization expense for the quarter ending December 31, 2008 is higher than the expense recorded for the quarter ending September 30, 2008 due to the additional amortization associated with new acquisitions.

Corporate tax expense for the quarter ending December 31, 2008 is lower than the expense recorded for the quarter ending September 30, 2008 due to lower average tax rates throughout the year and a year end adjustment using an average tax rate of 29.5%, compared to 32.12% in prior quarters.

DISTRIBUTIONS AND DISTRIBUTABLE CASH

The Fund paid a distribution of $818,463.56 ($0.1374642 per Unit) in the aggregate to its Unitholders of record as of December 31, 2008. The distribution represented the Fund's quarterly interest payment to the Fund for the quarter ended December 31, 2008 under the consolidated promissory note issued by Alliance to the Fund (the "**Alliance Note**").

A total of $2,900,894.67 was distributed to unitholders in 2008.

The next distribution will be made within seven business days of the end of the Fund's first quarter of 2009 (March 31, 2009). The distribution is expected to be $0.135 per Unit.

The Fund intends to make quarterly cash distributions within seven business days of the last business day of each quarter, as prescribed by resolution of the Fund's Board of Trustees. The Fund's distributable cash ("**Distributable Cash**") will consist of all cash received by the Fund in each calendar quarter, less: (i) amounts which have become payable in cash by the Fund relating to the redemption of Units; and (ii) any amount which the Trustees may reasonably consider to be necessary to provide for the payment of any obligations which have been or may be incurred or for making investments in the course of the activities and operations of the Fund and to provide for the payments of any income tax liability of the Fund. Please note that "Distributable Cash" is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, Distributable Cash may not be comparable to similar measures presented by other issuers.

Generally, the Fund's Distributable Cash will consist of the quarterly interest payments made by its operating subsidiary Alliance under the Alliance Note. Alliance will pay to the Fund interest on the Alliance Note quarterly, generally within two business days of the end of each quarter.

In addition, Alliance may pay dividends or make other distributions of its available cash to the Fund after determining what cash remains available at fiscal year end. Alliance will apply its EBITDA (see note 4 on page 3) first to pay all of its obligations and operating expenses, including management incentive bonuses and payment of interest to the Fund under the Alliance Note, and, after setting aside such reasonable reserve for working capital and/or sustaining capital expenditures as it may determine, Alliance will distribute cash entitlements to the holders of its Exchangeable Shares on a basis matching the cash distributions made to unitholders of the Fund. Since Alliance and the Fund both have December 31 as their fiscal year end, this additional distribution, if any, may be made at the same time as the distribution for the Fund's first quarter in each year.

To date, The Board of Trustees has chosen to keep the surplus distributable cash in the company to fund operations and the Fund's growth and expansion strategy.

LIQUIDITY AND CAPITAL RESOURCES

As the historical information presented above shows, Alliance has not had difficulty in generating from its operations sufficient cash to maintain its operations, fund development, and, to pay its obligations under the Alliance Note. Alliance's ability to generate sufficient cash in the future will depend on future harvests of and demand for pulses and special crops. Please see "Outlook" below for a discussion of these factors.

Alliance's working capital requirements fluctuate from year to year as the supply of pulses and special crops fluctuates, since payments to suppliers form the largest item of the working capital requirements. Alliance's working capital requirements are met from its earnings as its financial statements show, with its credit facility providing bridge financing until payment for shipments is received (see "recent events" for information on the credit facility).

CAPITAL MANAGEMENT

The Fund manages its capital to ensure that financial flexibility is present to increase unitholder value through a combination of acquisitions and organic growth. This allows the Fund to respond to changes in economic and/or marketplace conditions. The Fund also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, the Fund includes bank indebtedness, long-term debt and unitholders equity. It may be difficult to accurately predict market requirements for attracting capital. There were no changes in the Fund's approach to capital management during the year. The Fund has externally imposed capital requirements as governed through its lenders. As of December 31, 2008 the Fund must have a working capital ratio of at least 1.25:1. Working capital is defined as current assets over current liabilities. As at December 31, 2008 this ratio is at 1.44:1. In addition, the Fund must maintain a minimum unitholders equity balance of $30,000,000 and tangible net worth of $20,000,000. As at December 31, 2008 unitholders equity is $68,496,120 and tangible net worth is $56,433,621. The Fund must also maintain a debt service coverage ratio of not less than 1.25:1. Debt service ratio is defined as earnings before interest, taxes, depreciation and amortization divided by senior lenders principal and interest payments and line of credit fees for all facilities. As at December 31, 2008 this ratio was 2.24:1. The Fund must also maintain a debt to equity ratio of less than 2.0:1. As at December 31, 2008 this ratio was 1.17:1. The Fund is in compliance with all covenants as at December 31, 2008.

RELATED PARTY TRANSACTIONS

During the year, the Fund had the following transactions with related parties:

	2008	2007
Sales of grain to corporations whose shareholders are also Fund unitholders	$ 52,059,248	$ 332,225
Accounts receivable from corporations whose shareholders are also Fund unitholders	$ 24,645,061	$ 1,545,240

These transactions are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All related party transactions were undertaken as they were commercially advantageous to the Fund's profitability. The Fund has no reliance on related parties and the Fund's management is confident in its ability to replace these sales in future years with other commercial activities.

GOODWILL, INTANGIBLE ASSETS AND FINANCIAL STATEMENT CONCEPTS

In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets, replacing Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The new Section establishes standards on the recognition, measurement, presentation and disclosure for goodwill and intangible assets subsequent to their initial recognition. The standard requires retroactive application to prior period financial statements. While the Fund is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Fund's consolidated financial results.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board recently confirmed January 1, 2011 as the date International Financial Reporting Standards (IFRS) will replace Canadian standards and interpretations as Canadian Generally Accepted Accounting Principles for publicly accountable enterprises. The new Standards are effective for annual financial statements with fiscal years beginning January 1, 2011. The Fund is currently assessing the impact to its financial statements.

CHANGES IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants ("CICA") issued new accounting standards which became effective for the Fund on January 1, 2008. These changes include:

Section 3031 Inventory replaces Section 3030 Inventories, and establishes standards on the definition of 'cost' to include all costs of the purchase as well as transportation costs incurred in bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate variable and fixed input costs that are incurred in converting raw product into finished goods. The allocation of fixed production overheads is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw materials inventories do not require write-downs if the finished goods in which they will be utilized are expected to be sold at or above cost. The standard requires disclosing, in the current period, the amount recognized as an expense and the amount recognized as a reversal of previous write-downs.

Section 1535 Capital Disclosures now requires disclosure of qualitative and quantitative information to enable financial statement users to evaluate the objectives, policies and processes used by the Fund to manage capital.

Section 3862 Financial Instruments – Disclosures now requires additional disclosures about the significance of financial instruments for the Fund's financial position and performance. Also, the Fund will be required to disclose the nature and extent of risks arising from financial instruments, to which the Fund is exposed, and how those risks are managed.

Section 3863 Financial Instruments – Presentation now requires disclosure of certain aspects of financial instruments, such as classification and circumstances where financial instruments may be offset.

The CICA has also approved a plan to transition Canadian generally accepted accounting standards to the International Financial Reporting Standards by 2011. During the coming year the Fund will be assessing the impact of IFRS on the financial statements.

RECENT EVENTS

Alliance has continued on its growth and acquisition plan and has successfully negotiated additional debt and equity agreements to finance these activities.

On July 16, 2008 the Fund completed a private placement of 970,000 units at $15.50 per unit for gross proceeds of $15,035,000 (before deducting the costs of the offering, which were $806,500).

The Fund also finalized an agreement that provides debt financing of up to $20,000,000: $12,000,000 as a revolving loan and a further $8,000,000 as a term loan. This new facility replaces an existing $7,000,000 revolving loan facility.

On August 1, 2008 the Fund, acting through Alliance, purchased all of the outstanding shares of Pulse Depot Rosetown Inc. ("**Pulse Depot**"). Pulse Depot is a leading pulse and special crops processor located in Rosetown, Saskatchewan. Alliance acquired direct and indirect ownership of all of the issued and outstanding shares of Pulse Depot for $9,409,000 (after adjustments for current assets, inventory, pre-paid expenses, accounts receivable, cash on hand, accounts payable and long-term debt of Pulse Depot determined at closing), of which a part was paid by the issuance of 55,000 units of the Fund issued at a deemed value of $13.00 per unit and the assumption of certain debts of Pulse Depot and the balance was paid in cash. The transaction was negotiated at arm's length.

On August 1, 2008 the Fund, acting through Alliance, purchased the assets of Tradewind Commodities Ltd., a leading pulse and special crops processor located in Milestone, Saskatchewan, approximately 60 km south of Regina, for a purchase price of $2,900,000.

On August 6, 2008, the Fund finalized an operating credit facility of up to $50 million. This facility is secured by a general security interest over all present and after-acquired property of the Fund.

On September 29, 2008 the Fund issued 55,556 units in accordance with the earn-up right granted when the Fund acquired Saskcan whereby additional units of the Fund would be issued to the founding shareholders of Saskcan if certain performance targets were met. In addition, 500,000 exchangeable shares of Alliance were issued to the founding shareholders of Saskcan pursuant to the same earn-up right.

On September 30, 2008 the Fund purchased the remaining 45% of the issued and outstanding shares of Saskcan Horizon, a pulse and special crops processor located in Aberdeen, Saskatchewan. Alliance already owned 55% of Saskcan Horizon. The purchase price for the acquisition was $1,400,000, of which $359,996 was paid by the issuance of units of the Fund at $13.31 per unit and the balance was paid in cash. As a result of the transaction Saskcan Horizon became a wholly-owned subsidiary of Alliance.

OUTSTANDING UNIT DATA

As of the date hereof, there are issued and outstanding 5,951,993 Units and rights to acquire up to an additional 2,628,557 Units of the Fund. These rights consist of: (i) 2,033,334 Exchangeable Shares of Alliance; (ii) options to acquire 75,223 units of the Fund, each exercisable for one unit of the Fund at a price of $5.40 per unit until August 2, 2009, which were issued to various investment companies in connection with the private placement described under "Acquisitions during the year" above and (iii) incentive options to acquire 520,000 units of the Fund, each exercisable for one unit of the Fund at a price of $9.00 per unit until April 21, 2013, which were granted to the trustees and officers of the Fund and key employees of Alliance and its subsidiaries, and vest in equal annual increments over a three year period, beginning April 21, 2011 (April 21, 2009 for independent trustees).

The Exchangeable Shares of Alliance are non-voting and may be exchanged for units of the Fund on a one-for-one basis. However, if a take-over bid is made for Units of the Fund, then the holders of the Exchangeable Shares may exchange a percentage of their Exchangeable Shares corresponding to the percentage of the Units being sought by the offeror of the bid; and provided further that if the Fund is to be wound up, all of the Exchangeable Shares may be exchanged for Units immediately. All of the Exchangeable Shares are held by the former shareholders of Saskcan. The Fund's Declaration of Trust provides that each holder of Exchangeable Shares is entitled to one vote at meetings of unitholders of the Fund for each Exchangeable Share held by him.

RISKS AND UNCERTAINTIES

The Fund's only assets are 100% of the issued and outstanding voting shares of Alliance and the promissory notes issued by Alliance (all of which are consolidated into the Alliance Note immediately following issuance). The Fund's ability to make distributions of cash to its Unitholders depends entirely on the success of Alliance's business. Alliance is a buyer, processor and exporter of a full range of pulses and special crops, and is exposed to a number of risks and uncertainties that are common to other companies in the same business. The following is a summary of the risks specific to Alliance's business and its industry.

Weather conditions, which can vary substantially from year to year, have a significant impact on the size and quality of the pulses and special crops harvests. Significant increases or decreases in the total harvest may impact Alliance on the amount it sells and the gross profits realized on sales of its product and, consequently, on the results of its operations.

The pulses and special crops processing industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale prices of raw material caused by changes in supply, taxes, price controls and/or other market conditions, all of which are factors beyond the Fund's control.

A portion of Alliance's purchases are made through production contracts, which fix a price at which Alliance may purchase crops from a producer. This production contract system assists the fund in mitigating price and supply risk on forward sales.

Alliance's revenues are dependent on the continued operation of its facilities. The operation of facilities involves certain risks, including the failure or substandard performance of equipment, natural disasters, labour problems, spoilage, as well as other hazards incidental to the production, use, handling, processing, storage and transportation of pulses and special crops. Also, as an industrial operation, Alliance is exposed to workplace health and safety and workers' compensation claims but mitigates these risks through a comprehensive safety program.

Alliance's operations are dependent on the abilities, experience and efforts of its senior management team, an experienced team of grain industry specialists assembled within Alliance and its subsidiaries.

Alliance enters into sales denominated in US currency for which the related revenue and accounts receivable balances are subject to exchange rate fluctuations. Alliance has entered into certain foreign exchange contracts with maturities of less than one year, to manage risks associated with entering into new sales contracts denominated in US dollars.

Virtually all of Alliance's production is exported outside Canada to all geographic regions of the world. Alliance minimizes the risks involved with the export of goods to foreign countries by selling with internationally accepted documentary letters of credit, documentary collections and receivables insurance through Export Development Canada ("**EDC**"). Nonetheless, there is a residual risk that goods may be repudiated by a foreign buyer who may refuse delivery of the product after it has been shipped but before it has been paid for in full. This could lead to residual costs to the Fund affecting its profitability. Risk management programs are in place to minimize these risks of the international marketplace.

In addition, the Fund's Distributable Cash will depend on the Fund's success in keeping its operating costs low and funding any increases in expenses, as discussed under "Liquidity and Capital Resources", above.

COMMITMENTS AND CONTINGENCIES

The Fund enters into production contracts with producers. The contracts provide for delivery of specific quantities and include specific prices based on the grade that is delivered. The terms of the production contracts are not longer than one year.

The Fund has in place a letter of credit in favor of the Canadian Grain Commission in the amount of $17,500,000. The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires October 31, 2009.

LIQUIDITY RISK

Liquidity risk results from the requirement of the Fund to make cash payments against certain indebtedness over the course of upcoming years. The following are the contractual maturities of financial liabilities, including interest payments:

December 31, 2008	Carrying amount	Contractual cash flows	1 year	2 years	3 – 5 years	More than 5 years
Bank indebtedness	$17,447,581	$17,447,581	$17,447,581	$ -	$ -	$ -
Accounts payable	32,284,766	32,284,766	32,284,766	-	-	-
Long-term debt	16,272,039	18,551,156	1,563,904	1,571,499	4,169,785	11,245,967
Distributions payable	1,098,069	17,972,225	4,312,077	4,366,183	4,646,983	4,646,983
	$67,102,454	$86,255,728	$55,608,327	$5,937,682	$8,816,768	$15,892,950

Future operational cash flows and sufficient assets are on hand to fund these obligations. In addition the Fund practices an accounts receivable management program that tracks cargo and documentation flows to ensure the timely receipt of payment from customers. The Funds diversified customer base ensures that concentration risks are minimized and that inflows are more predictable. The cash flow management activities and the continued profitability of the Funds operations allow for substantial mitigation of liquidity risk.

OUTLOOK

With record pea and lentil exports from Canada, surging commodity prices have resulted in significant changes to the farm gate returns of growers of pulses and specialty crops, making the crops that the Fund processes profitable crops for farmers to grow. This translated into a 15% increase in pea and lentil production in Canada for the 2008 harvest according to estimates released by a variety of analysts. US production remained stable in 2008 with the price of nitrogen fertilizer driving crop rotations into peas and lentils and other crops that replenish nitrogen and do not require the addition of nitrogen fertilizers. The 2008 yield projections for harvest (August 2008) came in above the ten year average, giving the Fund excellent access to raw materials. Estimates for 2009 seeded acreage of lentils have analysts pegging a 20% increase in seeded acreage. These preliminary seeding intentions are a positive indicator for the Fund's 2009 performance.

The Australian crop in 2008 was affected by yet another drought, limiting supplies to levels similar to those seen in the 2007 drought. In 2009, supplies are forecast to remain tight with drought conditions continuing. To combat the effects of limited crop stocks, the Fund is adding pulses splitting and processing equipment to its Australia factory to allow its operations to capture higher margins. This will assist in ensuring that the Fund's operating company remains profitable.

All of the Funds' supply of raw materials comes from suppliers in Saskatchewan, Alberta, Manitoba, Montana, North Dakota and Australia where crops are harvested once a year. While sales and purchases are fairly evenly spread out during the Fund's fiscal year, they do tend to be slightly higher in the last half of the fiscal year (July 1 to December 31). With geographic diversity of markets achieved through the Saskcan acquisition (the Fund's operating companies export to over 85 countries actively), seasonality is not a major consideration.

With the advancement of Ramadan by 10 days every year (this year early September), purchasing demand in the Islamic world has shifted from September/October to the summer months as purchasers arrange for shipments to be received before the fasting month begins. This shift in exports will assist the Fund in its efforts to achieve consistent revenues and profits each quarter. This effect is further complemented by the opposite seasonal demand of the South American markets (peak winter demand is February to July) and the Mediterranean/ Indian sub-continent/Middle East (July to January).

The Fund is well positioned to capitalize on the opportunities of the 2009-2010 crop year. Pulses growers in North America are formulating seeding intentions with growing conditions forecast for 2009 as positive with adequate sub-soil moisture with fall rains. Large stocks from 2008 and increases in production forecast in 2009 will allow the Fund to execute its plans to expand and diversify its business both by geographic region and product.

With the acquisition of Saskcan in August 2007 and subsequent acquisitions of US and Australian assets, the Fund has broadly expanded its global reach, client base and product mix. Offering a full range of split and value-added lentils, peas and chickpeas puts the Fund's operating company in a position of strength among its competitors globally.

The continued strong demand from the Indian sub-continent and the Middle East and Latin America for pulse crops support management's view that the Fund will maintain its current revenues and earnings through 2009. The US and Australian acquisitions and increased capacity utilization of Canadian assets are expected to boost the funds tonnage shipped and allow the Fund to capitalize on 2008 crop stocks and a forecast of a larger 2009 crop.

Unexpected drought conditions in Turkey, Australia and Syria have created a global shortage of lentils, turning these regions from competitors to customers for 2008-2009. New crops in this region will arrive only after June 2009 and the forecasts are that these competing origins will return only to average production meaning that their produced stocks will be consumed in their local markets. The Fund is not expecting heightened competition from other origins in 2009. Extra demand and the absence of regional competition in the Middle East will allow the Fund's operating companies to benefit from an opportunity to ship more product to these regions at continued strong margins.

Traditional protein crops like corn, wheat and soy are being consumed at an increasing rate by the growing biofuels industry in the US. US domestic biofuels policy is expected to continue this trend in 2009 and beyond. Commodity price escalation in the food sector is real and is expected to remain above ten year averages. Consumption of pulses in the developing world is rising as more pulses consumption is replacing other traditional protein crops that are being priced out of the diets of subsistence consumers. Other competing producer areas (India and Turkey) have reported sub-par crops and crop growing conditions for 2008, further solidifying management's belief that Alliance's 2009 performance will continue to be positive.

The acquisition of United Pulse in North Dakota and Australia Milling Group were key events in the implementation of management's global production diversification strategy. These plants are fully operational and are expected to add substantial earnings potential to the Fund's operations. Management continues to expand international sales opportunities to bring its North American processing plants to capacity. The Fund continues to investigate opportunities for additional acquisitions, partnerships and alliances in the Americas and globally. The Pulse Depot Rosetown Inc. acquisition and the purchase of the Tradewind Commodities Ltd. assets will augment the Fund's rail transportation capacity and allow it to capture further market share in Canada and globally.

The global economic crisis of 2008 and the continued recession conditions in 2009 are expected to have minimal impact on the Fund's operations. In fact, in times of economic crisis, staple protein consumption of pulses tend to rise. As disposable incomes contract, food choices are made by the household to ensure their proper nutrition and sustenance. Pulses provide a traditional option of relatively high protein and relatively low cost. The financial ability of importers to continue imports is being positively affected by developing country central bank regulations allowing favourable terms for import letters of credit for basic staple commodities which include pulses. Export Development Canada continues its strong support of Alliance's global operations with receivables insurance and other trade finance insurance support mitigating 90% of the Fund's payment risks.

FORWARD LOOKING STATEMENTS

This discussion and analysis of financial position, results of operations, and cash flows of the Fund contains certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the price of lentils and other crops, the estimated size and quality of future harvests of lentils and other crops, costs of production, currency fluctuations, and requirements for additional capital. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund (including its operating subsidiaries) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of harvests, fluctuations in the price of lentils and other crops, failure of plant, equipment or processes to operate as anticipated, accidents, or labour disputes, risks relating to the integration of acquisitions or to international operations, as well as those factors referred to in the section entitled "Risk Factors" in the prospectus of the Fund dated December 30, 2004 which is available on SEDAR at www.sedar.com, and which should be reviewed in conjunction with this document. Although the Fund has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Fund expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

AUDITORS' REPORT

To the Unitholders,

Alliance Grain Traders Income Fund

We have audited the consolidated balance sheets of **Alliance Grain Traders Income Fund** as at **December 31, 2008 and 2007** and the consolidated statements of earnings, comprehensive income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at **December 31, 2008 and 2007** and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Virtus Group LLP

Regina, Saskatchewan
March 19, 2009

Virtus Group LLP
Chartered Accountants

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of **Alliance Grain Traders Income Fund** have been prepared by the Fund's management in accordance with Canadian generally accepted accounting principles and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded.

The board of trustees has reviewed and approved these consolidated financial statements.

These consolidated financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.

Murad Al-Katib
Chief Executive Officer

Lori Ireland
Chief Financial Officer

ALLIANCE GRAIN TRADERS INCOME FUND

CONSOLIDATED BALANCE SHEET

As at December 31, 2008 and 2007

	2008	2007
Assets		
Current		
Accounts receivable	$ 69,868,704	$ 25,654,720
Inventory	16,739,971	13,248,365
Prepaid expenses and deposits	1,325,549	314,065
	87,934,224	39,217,150
Loans receivable	–	162,033
Property, plant and equipment (Note 4)	48,383,867	24,653,572
Goodwill (Note 3)	12,062,499	10,038,495
	$ 148,380,590	$ 74,071,250
Liabilities		
Current		
Bank indebtedness (Note 5)	$ 17,447,581	$ 6,540,872
Accounts payable and accruals	32,284,765	21,890,474
Income taxes payable	8,928,612	1,182,722
Current portion of long term debt and capital leases (Note 6)	1,369,010	296,045
Distributions payable	1,098,069	597,326
	61,128,037	30,507,439
Long term debt and capital leases (Note 6)	14,903,029	6,891,593
Future income tax liability	3,853,404	1,327,511
Non-controlling interest (Note 7)	–	1,366,617
	79,884,470	40,093,160
Equity		
Unitholders' equity before other comprehensive income	68,039,227	33,978,090
Accumulated other comprehensive income	456,893	–
Total unitholders' equity (Note 7)	68,496,120	33,978,090
	$ 148,380,590	$ 74,071,250

Commitments (Note 13)

Contingencies (Note 15)

Approved by the Board of Trustees

Trustee
Murad Al-Katib

Trustee
Denis Arsenault

The accompanying notes are an integral part of these financial statements.

ALLIANCE GRAIN TRADERS INCOME FUND

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

For the year ended December 31, 2008 and 2007

	2008	2007
UNITHOLDERS' EQUITY (Note 7)		
Unitholders' equity, beginning of period	$ 33,978,090	$ 6,481,057
Net earnings before other comprehensive income	22,204,743	3,695,128
Units and unit equivalents issued	16,645,955	27,048,744
Units redeemed	(25,000)	(32,286)
Issue costs net of tax benefit	(843,481)	(845,591)
Transition adjustment from accounting policy change	–	(68,382)
Distributions paid to unitholders and exchangeable share holders	(2,823,011)	(1,703,254)
Distributions payable to unitholders and exchangeable share holders	(1,098,069)	(597,326)
Unitholders' equity, end of year	$ 68,039,227	$ 33,978,090
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Accumulated other comprehensive income - beginning of year	$ –	$ –
Other comprehensive income	456,893	–
Accumulated other comprehensive income - end of year	$ 456,893	$ –
TOTAL UNITHOLDERS' EQUITY	$ 68,496,120	$ 33,978,090

The accompanying notes are an integral part of these financial statements.

ALLIANCE GRAIN TRADERS INCOME FUND

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 2008 and 2007

	2008	2007
Sales	$ 328,672,293	$ 79,136,612
Cost of Sales	278,402,799	66,359,164
Gross margin	50,269,494	12,777,448
Operating Expenses		
Amortization	1,035,858	441,808
Foreign exchange loss (gain)	(654,999)	243,406
Interest and bank charges	985,766	385,681
Interest on long term debt	530,360	174,879
Salaries, wages and benefits	10,591,218	4,306,244
Compensation option expense (Note 7)	327,132	–
General and administration	7,223,889	2,180,303
	20,039,223	7,732,321
Earnings before income taxes and non-controlling interest	30,230,271	5,045,127
Provision for (recovery of) income taxes (Note 12)		
Current	8,153,207	972,745
Future	(137,667)	(11,657)
	8,015,540	961,088
Earnings before non-controlling interest and extraordinary gain	22,214,731	4,084,039
Non-controlling interest (Note 7)	(571,414)	(388,911)
Extraordinary gain		
Gain on disposal of fixed assets (Note 4)	561,426	–
Net earnings before other comprehensive income	22,204,743	3,695,128
Other comprehensive income		
Foreign currency translation on self-sustaining foreign operations	456,893	–
Comprehensive income	$ 22,661,636	$ 3,695,128
Basic net earnings per unit and unit equivalent (Note 7)	3.10	1.07
Diluted net earnings per unit and unit equivalent (Note 7)	2.91	0.91
Basic weighted average number of units and equivalents outstanding	6,987,926	3,439,857
Diluted weighted average number of units and equivalents outstanding	7,429,091	4,049,905

The accompanying notes are an integral part of these financial statements.

ALLIANCE GRAIN TRADERS INCOME FUND

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2008 and 2007

		2008		2007
Cash from (used for) the following:				
Operating Activities				
Net earnings before other comprehensive income	$	22,204,743	$	3,695,128
Items not involving cash:				
- Amortization		1,035,858		441,808
- Amortization in cost of sales		989,665		263,268
- Recovery of future income taxes		(137,667)		(11,657)
Net working capital acquired in acquisition (Note 3)		922,077		–
Non-cash operating working capital (Note 10)		(27,966,311)		(7,307,579)
		(2,951,635)		(2,919,032)
Financing Activities				
Proceeds from bank indebtedness		10,906,708		7,290,661
Net proceeds from the issuance of units		14,727,478		13,193,381
Units redeemed		(25,000)		–
Proceeds from long term debt		8,009,949		4,720,149
Repayment of long term debt		(335,339)		(8,786,858)
		33,283,796		16,417,333
Investing Activites				
Bank indebtedness acquired in business combination		–		(5,615,903)
Purchase of property, plant and equipment		(26,704,825)		(6,012,052)
Distributions paid to unitholders and non-controlling interest		(3,627,336)		(1,870,346)
		(30,332,161)		(13,498,301)
Increase (decrease) in cash position		–		–
Cash position, beginning of period		–		–
Cash position, end of period	$	–	$	–
Supplemental cash flow information:				
Interest paid	$	1,394,438	$	560,561
Income taxes paid	$	1,360,713	$	48,291

The accompanying notes are an integral part of these financial statements.

1. INCORPORATION AND OPERATIONS

Alliance Grain Traders Income Fund (formerly Agtech Income Fund) (the "Fund") is a limited purpose open-ended trust established on June 25, 2004. The Fund was originally created for the purpose of acquiring all of the voting securities of Agtech Processors Inc. ("Agtech"), which was completed on March 22, 2005. The Fund subsequently acquired Saskcan Pulse Trading Inc. ("Saskcan") on August 1, 2007 and amalgamated it with Agtech to form Alliance Pulse Processors Inc. ("Alliance"). The Fund, through its operating company Alliance, is engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) specialty crops, primarily for export markets. The Fund's companies in Canada, US and Australia handle the full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed. The units of the Fund are listed for trading on Tier 2 of the TSX Venture Exchange under the symbol "AGT.UN".

2. ACCOUNTING POLICIES

Basis of presentation
The accompanying consolidated balance sheet as at December 31, 2008 and 2007, and the consolidated statements of earnings, unitholders' equity and cash flows for the years ended December 31, 2008 and 2007 have been prepared by management of the Fund in accordance with Canadian generally accepted accounting principles.

Measurement uncertainty (use of estimates)
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property, plant and equipment. The fair value of net assets acquired in business combinations are determined based on available market information and analysis that is subjective in nature.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Inventory
Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis.

Property, plant and equipment
Property, plant and equipment are recorded at cost. Amortization is provided using the straight-line method at annual rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings and site improvements	Straight-line	20 to 39 years
Storage bins	Straight-line	25 to 39 years
Automotive	Straight-line	5 years
Equipment	Straight-line	5 to 20 years

Goodwill
Goodwill is not subject to amortization. Goodwill is tested for impairment at least annually by comparing the fair value of its reporting unit to its carrying value. The carrying value of goodwill is written down to fair value if the carrying value of the reporting unit's goodwill exceeds its fair value. Any impairment write down is charged to income during the period of impairment.

Income taxes
The Fund is a mutual fund trust for income tax purposes and therefore is not subject to tax on income distributed to unitholders. Taxes payable on income distributed to unitholders is the responsibility of individual unitholders.

The Fund's subsidiaries follow the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are either settled or realized.

Exchangeable securities issued by subsidiaries of the Fund
Exchangeable securities are recorded in unitholders' equity as unit equivalents when the holders of the exchangeable shares are entitled to receive distributions of earnings economically equivalent to unitholders, and when disposition of exchangeable shares can only occur by exchange for units of the Fund.

Revenue recognition
Revenue is recognized when the customer has substantially taken title and substantially assumed the risks and rewards of ownership of the products specified in the purchase order or sales agreement. Typically this occurs when product is delivered to the customer's delivery site (if the terms of the sale are "FOB destination") or when a product is shipped to the customer (if the terms are "FOB shipping point"). The sale price is fixed in a purchase order before shipment. Product cannot be returned. In cases where the terms of sale are "FOB destination" at a destination outside of Canada or the United States, payment is typically required in advance, or a deposit, letter of credit or receivable insurance is required. Payments in advance and deposits are accounted for as deposits rather than revenue. Letters of credit are not recorded until drawn upon. These revenue recognition policies are followed whether the sale is under a long-term contract or a spot contract.

Derivative financial instruments
The Fund enters into forward foreign exchange contracts to minimize its operating exposures to fluctuations in foreign exchange rates. These contracts are recorded on the balance sheet and adjusted to fair value at each reporting date. Any resulting gains or losses are included in the statement of earnings.

Financial instruments
All significant financial assets, financial liabilities and equity instruments of the Fund are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows and interest rate, currency or credit risk. The Fund has classified bank indebtedness, accounts receivable, accounts payable and accruals, and distributions payable as held for trading, loans receivable as loans and receivables, and long-term debt as other liabilities.

Per unit amounts
Net income per unit is based on the consolidated net income for the period divided by the weighted average number of units outstanding during the period. Diluted income per unit is computed in accordance with the treasury stock method and based on the weighted average number of units and dilutive unit equivalents.

Basis of consolidation
The consolidated financial statements include the operations of the Fund's 100% owned subsidiaries Alliance Pulse Processors Inc., United Pulse Trading Inc., Australian Milling Group Pty Ltd., Pulse Depot Rosetown Inc. and Saskcan Horizon Trading Inc. On September 30, 2008, the Fund purchased the 45% non controlling interest of Saskcan Horizon Trading Inc., as a result 100% of the operations are consolidated in the Fund's operations effective October 1, 2008.

Foreign exchange - self-sustaining foreign operations
The Fund's foreign operations, which are self-sustaining, are translated using the current rate method. Under this method, all assets and liabilities are translated at year-end exchange rates with income statement items translated at average exchange rates for the year. Translation adjustments arising from changes in exchange rates form part of the change in the accumulated other comprehensive income component of shareholders' equity. These adjustments are not included in operating income until realized through a reduction in the company's net investment.

Accounting policy developments
Effective January 1, 2008, the Fund adopted the following new Canadian Institute of Chartered Accountants (CICA) accounting standards:

Inventory
The Fund adopted Section 3031 Inventories, which replaced Section 3030 Inventories, and establishes standards on the definition of 'cost' to include all costs of the purchase as well as transportation costs incurred in bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate variable and fixed input costs that are incurred in converting raw product into finished goods. The allocation of fixed production overheads is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw materials inventories do not require write-downs if the finished goods in which they will be utilized are expected to be sold at or above cost. The standard requires disclosing, in the current period, the amount recognized as an expense and the amount recognized as a reversal of previous write-downs. No adjustment to opening retained earnings results from the adoption of this standard.

Capital management
The Fund adopted the accounting standards for capital disclosures (CICA Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the Fund's operating results, however quantitative data regarding those items considered capital is required.

Financial instruments
The Fund adopted the accounting recommendations for financial instruments – disclosures (CICA Handbook Section 3862) and financial instruments – presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments – disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Fund's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Fund's operating results.

Recent pronouncements
The CICA has issued the following Handbook sections, which apply commencing with the Fund's 2009 fiscal year:

Goodwill, intangible assets and financial statement concepts
In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets, replacing Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The new Section establishes standards on the recognition, measurement, presentation and disclosure for goodwill and intangible assets subsequent to their initial recognition. The standard requires retroactive application to prior period financial statements. While the Fund is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Fund's consolidated financial results.

International financial reporting standards
The Canadian Accounting Standards Board recently confirmed January 1, 2011 as the date International Financial Reporting Standards (IFRS) will replace Canadian standards and interpretations as Canadian Generally Accepted Accounting Principles for publicly accountable enterprises. The new Standards are effective for annual financial statements with fiscal years beginning January 1, 2011. The Fund is currently assessing the impact to its financial statements.

3. PURCHASE PRICE ALLOCATION:

The consolidated financial statements reflect the amalgamation with Saskcan Pulse Trading Inc. for 2007 and the acquisition of Pulse Depot Rosetown Inc. for 2008 using the purchase method with the purchase price being allocated to the fair value of the assets and liabilities as follows:

	31-Dec-08 Pulse Depot	31-Dec-07 Saskcan
Purchase price comprised of:		
Cash	$ 7,208,569	$ 12,953,081
Issuance of New Alliance units and exchangeable shares	715,000	9,200,000
Total purchase price	7,923,569	22,153,081
Allocation of purchase price:		
Cash	242,146	–
Accounts receivable	291,681	16,282,873
Inventory	413,674	3,153,238
Prepaid expenses	45,787	258,050
Property, plant and equipment	8,500,000	18,551,017
Identifiable tangible assets	9,493,288	38,245,178
Accounts payable and accruals	(71,211)	(17,227,756)
Long term debt	(1,498,508)	–
Future income tax liability	(2,024,004)	(1,204,152)
Goodwill	2,024,004	2,339,811
	$ 7,923,569	$ 22,153,081

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	Dec 31, 2008 Net book Value
Land	$ 5,104,829	$ –	$ 5,104,829
Buildings and site Improvements	21,759,849	1,090,684	20,669,165
Automotive	1,503,286	467,282	1,036,004
Equipment	25,234,353	3,660,486	21,573,868
	$ 53,602,317	$ 5,218,452	$ 48,383,867

	Cost	Accumulated amortization	Dec 31, 2007 Net book Value
Land	$ 2,047,812	$ –	$ 2,047,812
Buildings and site improvements	7,841,635	631,811	7,209,824
Automotive	955,503	227,459	728,044
Equipment	16,747,036	2,079,144	14,667,892
	$ 27,591,986	$ 2,938,415	$ 24,653,572

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *continued*

The December 8, 2007 fire at the Williston North Dakota facility (operating under the name United Pulse Trading Inc) resulted in total loss and subsequent replacement of certain equipment. Proper insurance was in place to cover any repairs and replacement as well as business interruption. The additional value associated with the replaced equipment resulted in an extraordinary gain in the amount of $561,426. This gain was recognized during the year when the final insurance settlement was completed. Regular plant operations resumed in February of 2008.

5. BANK INDEBTEDNESS

At December 31, 2008, the Fund had a line of credit available totaling $50,000,000. The line bears interest at the rate of prime plus 0.25%. Collateral consists of a general security agreement on all the assets of the Fund's subsidiaries.

6. LONG TERM DEBT AND CAPITAL LEASES

Long term debt	Dec 31, 2008 Balance	Dec 31, 2007 Balance
Advancer loan payable bearing interest at the rate of prime plus 1%, no fixed repayment terms.	$ 7,000,000	$ 4,500,000
Loan payable, due December 11, 2023, blended payments of principal plus interest at the rate of prime plus 1% per month	3,892,821	–
United Pulse Trading Inc. loan payable, various due dates and interest rate buy downs provided by the State of North Dakota, secured by property, plant and equipment of United Pulse Trading Inc.	3,154,777	1,920,815
Pulse Depot Rosetown Inc. loan payable, due October 15, 2009, payments of $12,500 per month plus interest at the rate of Canadian Bankers Acceptance rate plus 2.5%	676,391	–
Saskcan Horizon Trading Inc. loan payable, due November 6, 2013, payments of $8,670 per month, principal and interest, at the rate of prime plus 1.5%, secured by property, plant and equipment of Saskcan Horizon Trading Inc.	398,106	473,740
Pulse Depot Rosetown Inc. loan payable, due October 15, 2012, payments of $6,900 per month plus interest at the rate of Canadian Bankers Acceptance rate plus 3.75%	733,400	–
United Pulse Trading Inc. vehicle debt payable, due May 2011, payments of $858.28 per month, including interest of .9%, secured by vehicle.	32,005	–
Capital leases		
Capital lease payable in monthly installments of $3,859, including interest at 9.5%, secured by sale leaseback asset, due October 2011.	120,490	160,400
Capital lease payable in monthly installments of $1,929, including interest at 9.1%, secured by sale leaseback asset, due January 2012.	82,377	–
Capital lease payable in monthly installments of $1,819, including interest at 11.1%, secured by sale leaseback asset, due February 2011.	67,446	–
Capital lease payable in monthly installments of $1,899, including interest at 8.5%, secured by sale leaseback asset, due June 2010.	58,488	73,923
Capital lease payable in monthly installments of $1,052, including interest at 9.536%, secured by sale leaseback asset, due July 2012.	46,152	46,018
Capital lease payable in monthly installments of $422, including interest at 7.1%, secured by sale leaseback asset, lump sum payment due October 2008.	–	12,742
Capital lease payable in monthly installments of $119 including interest at 14.5%, secured by sale leaseback asset, due July 2012.	5,233	–
Capital lease payable in monthly installments of $97 including interest at 9.5%, secured by sale leaseback asset, due July 2012.	4,353	–
	16,272,039	7,187,638
Total current portion	1,369,010	296,045
	$ 14,903,029	$ 6,891,593

The estimated principal repayments for long term debt and future minimum payments for capital leases in each of the next five years are as follows:

	Long term debt	Capital Leases	Total
2009	$ 1,260,762	$ 118,475	$ 1,379,237
2010	605,295	107,081	712,375
2011	610,464	59,954	670,417
2012	517,818	9,215	527,032
2013	785,517	–	785,517
	3,779,855	294,724	4,074,579
Less: interest portion	–	(89,815)	(89,815)
	$ 3,779,855	$ 204,909	$ 3,984,764

7. UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of Units. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the fund, whether of net income, net realized capital gains or other amounts and in the net assets of the Fund in the event of termination or winding up of the Fund. Each Unit entitles the holder thereof to one vote at all meetings of voting Unitholders.

Unitholders' capital is comprised of the following:

	December 31, 2008		December 31, 2007	
	Units and Unit Equivalents	Total Unitholders' Capital	Units and Unit Equivalents	Total Unitholders' Capital
Balance, beginning of the year	6,335,804	$ 33,978,090	1,333,332	$ 6,481,057
Units and unit equivalents issued	1,651,544	16,645,955	5,007,472	27,048,744
Units redeemed	(2,021)	(25,000)	(5,000)	(32,286)
Issue costs net of tax benefit	–	(843,481)	–	(845,591)
Net earnings for the year	–	22,661,636		3,695,128
Transition adjustment for accounting policy change	–	–	–	(68,382)
Distributions paid and payable to unitholders	–	(3,921,080)	–	(2,300,580)
Balance, end of the period	7,985,327	$ 68,496,120	6,335,804	$ 33,978,090

Non-controlling interest in earnings and purchase of non-controlling interest
On September 30, 2008, the Fund signed an agreement to purchase the 45% non-controlling interest of Saskcan Horizon Trading Inc. that it did not own. The purchase consideration of $1,400,000 consisted of cash in the amount of $1,040,004 and 27,047 units of the Fund. The units were issued on October 9, 2008 and were valued at $359,996. In addition, there was a special provision in the agreement that allowed the forgiveness of the indebtedness owing to the Company by the shareholders, in the amount of $186,824. Non-controlling interest in earnings attributable to the non-owned share of Saskcan Horizon Inc. is $571,414 (2006 - $388,911) and represents the earnings of Saskcan Horizon Trading Inc. to September 30, 2008 attributable to the minority shareholders.

Changes in unitholders equity and non-controlling interest
On September 29, 2008, 55,556 units were issued in exchange for performance options. These options were issued in conjunction with the earn up agreement that was issued on August 1, 2007, whereby the shareholders of Saskcan were entitled to earn up to an additional 555,556 Units of the Fund if the North Dakota processing plant acquired by Saskcan on July 17, 2007 achieved certain performance targets (based on a deemed issue price of $5.40).

On September 19, 2008 the Fund received a notice of redemption for a total of 59,500 units. Pursuant to the Declaration of Trust, the redemption price is the lesser of 90% of the volume-weighted average closing price for the 10 trading days following the date the redemption notice was given and 100% of the closing market price on the date the redemption notice was given. Pursuant to the Articles of Trust of the Fund, the maximum redemption payment that may be made is $25,000 per quarter. The payment of the redemption is required on or before October 31, 2008 and the unitholder must reissue a request for redemption during the redemption period each quarter. The pro-rata redemption amount is 2,021 units and the units were redeemed on October 20, 2008.

On August 1, 2008, 55,000 units were issued at a deemed price of $13.00 per unit. The units were issued as part of the acquisition cost of Pulse Depot Rosetown Inc., which was acquired by the Company effective August 1, 2008.

On July 16, 2008 the Fund completed a private placement of 970,000 units at a price of $15.50 per unit for gross proceeds of $15,035,000. The net proceeds of the private placement were used to finance acquisitions as well as to finance capital improvements to existing facilities.

On June 16, 2008 5,000 compensation options valued at $27,000 were exchanged for 5,000 units of the Fund.

On May 7, 2008 20,000 compensation options valued at $108,000 were exchanged for 20,000 units of the Fund.

On May 1, 2008, 333,336 of the Exchangeable Shares of Alliance were exchanged for 333,336 units of the Fund at a price of $10.619 per unit. The units were paid for by the issuance by Alliance to the Fund of a promissory note having a principal amount of $3,539,695, bearing interest at 10.5% per annum, calculated and payable quarterly, and maturing on March 22, 2020, subject to an extension for ten additional years in certain circumstances.

On April 21, 2008 the Fund issued options to acquire 595,000 units of the Fund, each exercisable for one unit of the Fund at a price of $9.00 per unit until April 21, 2013. The fair value of unit options, estimated at the date of grant using the Black-Scholes option pricing model with the assumptions below, of $844,262 resulted in a charge of $327,132 to current year income.

Risk free interest rate	3%
Expected dividend yield	10%
Expected volatility	25%
Expected time until exercise	5 years

The options were issued to certain key managers and to the Trustees of the Fund and vest in the hands of the holder as follows:

33,333 units	April 21, 2009
33,333 units	April 21, 2010
173,334 units	April 21, 2011
140,000 units	April 21, 2012
140,000 units	January 21, 2013

The Black-Scholes options valuation model used by the Fund to determine fair values was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. In addition, this model requires the input of highly subjective assumptions, including future unit price volatility and expected time until exercise. The Fund's outstanding unit options have characteristics which are significantly different from those of traded options and changes in any of the assumptions may have a material effect on the estimated value.

On March 6, 2008 3,555 compensation options valued at $19,197 were exchanged for 3,555 units of the Fund.

On February 27, 2008 5,000 compensation options valued at $27,000 were exchanged for 5,000 units of the Fund.

On February 20, 2008 333 compensation options valued at $1,798.20 were exchanged for 333 units of the Fund.

On January 11, 2008 10,053 compensation options valued at $54,286.20 were exchanged for 10,053 units of the Fund.

On December 31, 2007 44,500 compensation options valued at $240,300 were exchanged for 44,500 units of the Fund.

On October 5, 2007, 2,600 units of the Fund were redeemed for $21,918.

On August 1, 2007, the Fund acquired all of the issued and outstanding voting shares of Saskcan Pulse Trading Inc. ("Saskcan"). The consideration for the acquisition consisted of $9,200,000, which was paid by the issuance of Units of the Fund or unit equivalents at a deemed issue price of $5.40 per unit or unit equivalent. 170,370 units (to be increased to up to 225,926 if certain performance targets are achieved) were issued directly by the Fund to the shareholders of Saskcan. 1,533,334 Exchangeable Shares of Alliance (to be increased to up to 2,033,334 if certain performance targets are achieved) were also issued to the shareholders of Saskcan. Each Exchangeable Share entitles its holder to acquire one Unit of the Fund through a put-call arrangement. In addition, the shareholders of Saskcan will be entitled to earn up to an additional 555,556 Units of the Fund if the North Dakota processing plant acquired by Saskcan on July 17, 2007 achieves certain performance targets (based on a deemed issue price of $5.40). All performance targets have now been acheived, so the relevant additional units and exchangeable shares have now been issued.

In connection with the acquisition of Saskcan, on August 2, 2007 the Fund also completed a private placement of 2,592,592, Units at a price of $5.40 per unit for gross proceeds of $14,000,000. The net proceeds of the private placement were used to repay the existing debts of Saskcan after the acquisition and to pay for Saskcan's acquisition of a North Dakota processing plant. As consideration for services rendered in connection with the private placement, the Fund issued to the syndicate of its agents for the offering, led by Standard Securities Capital Corporation, compensation options to acquire 163,664 units of the Fund, each exercisable for one unit of the Fund at a price of $5.40 per share until August 2, 2009. The fair value of unit options, estimated at the date of grant using the Black-Scholes option pricing model with the assumptions above did not exceed the issue price. Therefore, no cost has been recorded related to these options.

On August 2, 2007, the Fund loaned to Alliance the sum of $14,000,000 pursuant to a promissory note for that amount, bearing interest at 10% per annum, calculated and payable quarterly, and maturing on March 22, 2020, subject to an extension for ten additional years in certain circumstances. Like the promissory notes previously issued by Agtech to the Fund, this promissory note is secured by a general security interest in all of the property and undertaking of Alliance, and is subordinate, in right of payment and in security, to Alliance's credit facility with Credit Union Central of Saskatchewan.

On July 1, 2007, 266,666 of the Exchangeable Shares were exchanged for 266,666 units of the Fund at a price of $5.50 per unit. The units were paid for by the issuance of Agtech Processors Inc. to the Fund a promissory note having a principal amount of $1,466,663.00, bearing interest at 10% per annum, calculated and payable quarterly, and maturing on March 22, 2020, subject to an extension for ten years in certain circumstances. The effective date of the exchange was June 29, 2007.

On July 1, 2007, 66,666 of the Exchangeable Shares were exchanged for 66,666 units of the Fund at a price of $4.90 per unit. The units were paid for by the issuance of Agtech Processors Inc. to the Fund a promissory note having a principal amount of $326,663.40, bearing interest at 10% per annum, calculated and payable quarterly, and maturing on March 22, 2020, subject to an extension for ten additional years in certain circumstances. The effective date of the exchange was June 8, 2007.

On April 24, 2007 2,400 units of the Fund were redeemed for $10,368.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values:

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair values amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The Fund, as part of its operations, carries a number of financial instruments that include bank indebtedness, accounts receivable, loans receivable, accounts payable and accruals, distributions payable, and long-term debt. The fair value of bank indebtedness, accounts receivable, accounts payable and accruals, and distributions payable are not significantly different than their carrying value given their short-term maturities. The fair value of loans receivable and long-term debt are not significantly different than their carrying value based on the terms of the agreements.

Business risk:

As a result of the nature of the Funds operations, it may be exposed to various forms of risk. Those forms of risk include commodity risk, credit risk, liquidity risk and foreign currency risk.

Commodity risk:

Commodity risk is the risk of financial loss resulting from changes in commodity prices. Commodity risk is inherent in the nature of the business as the Fund enters into commitments that involve a degree of speculative risk. Management Information systems report a daily commodity position by commodity type, grade and location allowing management to ensure that position limits are not exceeded in any given product line. Commodity risk is further mitigated by central control of allowable commodity position levels according to established guidelines of the Fund's risk management policies. Any deviations from this guideline require the agreement of the Fund's President and CEO and VP of Operations and Marketing. Management further conducts regular reviews of commodity position limits to ensure compliance. In addition, the Fund does not hold stock in the normal course of business as it operates with frequent inventory turns and a just-in-time inventory management system, thereby minimizing the risk of value fluctuation on stock held.

Credit risk:

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions. The Fund minimizes this risk by having a diverse customer base and established credit policies, including the use of accounts receivable insurance provided by Export Development Canada. In addition, approximately 95% of transactions are concluded with letters of credit or cash against documents payment terms whereby the Funds operating companies maintain documentary control and legal title to the goods until payment is received.

The credit risk of the Fund relates to accounts receivable and loans receivable.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	Dec 31, 2008	Dec 31, 2007
Accounts receivable	$ 69,868,704	$ 25,654,720
Loans receivable	–	162,033
	$ 69,868,704	$ 25,816,753

The aging of customer receivables, which indicates potential impairment losses, is as follows:

	Dec 31, 2008	Dec 31, 2007
Current	$ 9,199,552	$ 7,653,576
0 - 30 days overdue	19,627,338	9,798,454
31 - 60 days overdue	23,908,803	6,859,063
Greater than 60 days overdue	17,133,011	1,343,627
	$ 69,868,704	$ 25,654,720

Provisions for credit losses are regularly reviewed based on an analysis of the aging of customer accounts. Amounts are written off if the accounts are deemed uncollectible. Details of the allowance account are as follows:

	Dec 31, 2008	Dec 31, 2007
Allowance for doubtful accounts - beginning	$ –	$ –
Written off	–	–
Recoveries	–	–
Provision for losses	11,406	–
Allowance for doubtful accounts - ending	–	–
	$ 11,406	$ –

Foreign currency risk:

The Fund enters into sales denominated in US currency for which the related revenue and accounts receivable balances are subject to exchange rate fluctuations. The Fund has entered into certain foreign exchange contracts with maturities of less than one year, to manage risks associated with entering into new sales contracts denominated in US dollars.

Interest rate risk:

Interest risk arises from debt financing including the risk that the Fund will not be able to refinance its debt with terms as favorable as those of existing facilities. The risk is minimized by The Fund's improved financial performance since the acquisition of the debt. With the exception of forward foreign currency contracts the Fund does not trade financial instruments. The Fund's financial management program also includes quarterly analysis of fixed vs floating interest rate hedging mechanisms to ensure that the Fund is achieving favorable interest rates.

Liquidity risk:

Liquidity risk results from the requirement of the Fund to make cash payments against certain indebtedness over the course of upcoming years. The following are the contractual maturities of financial liabilities, including interest payments:

December 31, 2008	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 17,447,581	$ 17,447,581	$ 17,447,581	$ –	$ –	$ –
Accounts payable	32,284,765	32,284,765	32,284,765	–	–	–
Long-term debt	16,272,039	18,551,156	1,563,904	1,571,499	4,169,785	11,245,967
Distributions payable	1,098,069	17,972,225	4,312,077	4,366,183	4,646,983	4,646,983
	$ 67,102,454	$ 86,255,728	$ 55,608,327	$ 5,937,682	$ 8,816,768	$ 15,892,950

December 31, 2007	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 6,540,872	$ 6,540,872	$ 6,540,872	$ –	$ –	$ –
Accounts payable	21,890,474	21,890,474	21,890,474	–	–	–
Long-term debt	7,187,638	9,352,332	717,015	719,211	1,890,757	6,025,349
Distributions payable	597,326	17,933,212	4,273,063	4,366,183	4,646,983	4,646,983
	$ 36,216,310	$ 55,716,890	$ 33,421,424	$ 5,085,394	$ 6,537,740	$ 10,672,332

Future operational cash flows and sufficient assets are on hand to fund these obligations. In addition the Fund practices an accounts receivable management program that tracks cargo and documentation flows to ensure the timely receipt of payment from customers. The Funds diversified customer base ensures that concentration risks are minimized and that inflows are more predictable. The cash flow management activities and the continued profitability of the Funds operations allow for substantial mitigation of liquidity risk.

9. CAPITAL MANAGEMENT

The Fund manages its capital to ensure that financial flexibility is present to increase unitholder value through a combination of acquisitions and organic growth. This allows the Fund to respond to changes in economic and/or marketplace conditions. The Fund also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, the Fund includes bank indebtedness, long-term debt and unitholders equity. It may be difficult to accurately predict market requirements for attracting capital. There were no changes in the Fund's approach to capital management during the year. The Fund has externally imposed capital requirements as governed through its lenders. As of December 31, 2008 the Fund must have a working capital ratio of at least 1.25:1. Working capital is defined as current assets over current liabilities. As at December 31, 2008 this ratio is at 1.44:1. In addition, the Fund must maintain a minimum unitholders equity balance of $30,000,000 and tangible net worth of $20,000,000. As at December 31, 2008 unitholders equity is $68,496,120 and tangible net worth is $56,433,621. The Fund must also maintain a debt service coverage ratio of not less than 1.25:1. Debt service ratio is defined as earnings before interest, taxes, depreciation and amortization divided by senior lenders principal and interest payments and line of credit fees for all facilities. As at December 31, 2008 this ratio was 2.24:1. The Fund must also maintain a debt to equity ratio of less than 2.0:1. As at December 31, 2008 this ratio was 1.17:1. The Fund is in compliance with all covenants as at December 31, 2008.

10. NON-CASH OPERATING WORKING CAPITAL

Details of net change in each element of working capital relating to operations excluding cash are as follows:

	2008	2007
(Increase) decrease in current assets:		
Accounts receivable	$ (44,051,951)	$ (6,911,226)
Inventory	(3,491,606)	(9,318,754)
Prepaid expenses and deposits	(1,011,484)	3,876
	(48,555,041)	(16,226,104)
Increase (decrease) in current liabilities:		
Accounts payable and accruals	12,842,841	7,784,094
Income taxes payable	7,745,890	1,134,431
	20,588,730	8,918,525
	$ (27,966,311)	$ (7,307,579)

11. RELATED PARTY TRANSACTIONS

The Fund had the following transactions with related parties:

	2008	2007
Corporations whose shareholders are also Fund unitholders		
Sales of grain to corporations whose shareholders are also Fund unitholders	$ 52,059,248	$ 332,225
Accounts receivable from corporations whose shareholders are also Fund unitholders	24,645,061	1,545,240

These transactions are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. INCOME TAXES

	2008	2007
Statutory income tax rate	29.5%	32.12%
Earnings before income taxes	$ 30,220,283	$ 5,045,127
Earnings subject to tax in the hands of unitholders	(3,921,080)	(2,300,580)
Other costs of the Fund	(313,173)	(100,210)
Net earnings of subsidiaries	25,986,030	2,644,337
Income taxes at statutory rate	7,665,879	849,361
Change as result:		
Effective tax rate of subsidiaries and other	349,661	111,727
	8,015,540	961,088
Current	8,153,207	972,745
Future	(137,667)	(11,657)
	$ 8,015,540	$ 961,088

13. COMMITMENTS

The Fund enters into production contracts with producers. The contracts provide for delivery of specific quantities and include specific prices based on the grade that is delivered. The terms of the production contracts are not longer than one year.

The Fund has in place a letter of credit in favor of the Canadian Grain Commission in the amount of $17,500,000. The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires October 31, 2009.

14. SEGMENTED INFORMATION

The subsidiaries and divisions of the Fund are in the business of sourcing and processing specialty crops, specializing in the lentil and pea markets for domestic and export markets, and operating in one business segment. Geographic information about the Fund's revenues is based on the product shipment destination.

Segmented sales:

Sales were derived from customers located in the following geographic areas:

	2008	2007
Americas / Caribbean	$ 60,076,049	$ 28,254,042
Asia / Pacific Rim	63,652,601	25,808,208
Europe / Middle East / North Africa	204,943,642	25,074,362
Total	$ 328,672,293	$ 79,136,612

Segmented assets:

Fixed assets by geographic areas are as follows:

	2008	2007
Americas / Caribbean	$ 43,350,221	$ 22,291,611
Pacific Rim	5,033,646	2,361,961
Total	$ 48,383,867	$ 24,653,572

15. CONTINGENCIES

In the normal course of operations, the Fund may become involved in various legal matters, both claims by and against the Fund. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the information provided by its legal counsel, final determination of these litigations are not determinable and an estimate of the contingency cannot be made at this time.

16. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial statement presentation in the current period.

ANNUAL AND SPECIAL MEETING

The annual and special meeting of the holders of units of Alliance Grain Traders Income Fund and the holders of the special voting rights of the Fund will be held at the offices of Fasken Martineau DuMoulin LLP at 66 Wellington Street West, Suite 3600, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario, on Thursday, the 14th day of May, 2009, at 11:00 a.m. (ET).

INVESTOR INQUIRES

Murad Al-Katib
Chairman of the Board of Trustee,
Alliance Grain Traders Income Fund;
President and CEO, Alliance Pulse Processors Inc.
T. (306) 525-4490
E. ir@alliancegraintraders.com
W. www.alliancegraintraders.com

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are Virtus Group LLP, of Regina, Saskatchewan.

The transfer agent and registrar for the Units is Equity Transfer & Trust Company at its principal office in Toronto, Ontario.

SHARES LISTED

TSX, Venture Exchange
Ticker Symbol: AGT.UN

FINANCIAL REPORTS AND NEWS RELEASES

Financial information is provided in Alliance Grain Traders Income Fund's comparative financial statements and MD&A for the financial year ended December 31, 2008, which are posted on the Fund's website, www.alliancegraintraders.com and under the Fund's profile on SEDAR. Unitholders may request, and receive free of charge, copies of such financial statements and MD&A by mailing a request to the transfer agent of the Fund, Equity Transfer & Trust Company, at 200 University Ave, Suite 400, Toronto, Ontario M5H 4H1, Fax: (416) 361-0470.

CORPORATE OFFICE

Alliance Grain Traders Income Fund
P.O. Box 30029
Regina, SK, Canada
S4N 7K9
T. (306) 525-4490
F. (306) 525-4463

SENIOR MANAGEMENT

Murad Al-Katib – President and CEO

Lori Ireland – Chief Financial Officer

Gaetan Bourassa – Vice President Marketing and Operations

COMMON SHARE PRICES AND VOLUMES

	Open	High	Low	Close	Volume
Q4 2008	$ 13.15	$ 14.00	$ 7.10	$ 8.60	4,266
Q3 2008	$ 15.83	$ 15.90	$ 12.80	$ 13.15	12,488
Q2 2008	$ 9.50	$ 16.25	$ 9.00	$ 15.81	21,133
Q1 2008	$ 10.00	$ 10.36	$ 8.50	$ 9.60	6,502
2008 Average				$ 11.63	11,101

BOARD OF TRUSTEES

Name and Municipality of Residence	Trustee Since	Principal Occupation
Murad Al-Katib Regina, Saskatchewan	August 1, 2007	Chairman of the Board of Trustee, Alliance Grain Traders Income Fund; President and CEO, Alliance Pulse Processors Inc.
Huseyin Arslan Regina, Saskatchewan	January 31, 2008	General Manager of Arbel Pulse and Grain Industry, SA
Howard N. Rosen Toronto, Ontario	November 30, 2004	Senior Managing Director, FTI Consulting
Jeffrey W. Renwick Thornhill, Ontario	November 30, 2004	President, Standard Biochem Inc.
Denis C. Arsenault Toronto, Ontario	November 30, 2004	Consultant, Chartered Accountant

Alliance Grain Traders Facilities

COMPANIES IN OUR GROUP

Saskcan PULSE TRADING

Saskcan AGTECH

Australia MILLING GROUP

Saskcan ROSETOWN

Saskcan HORIZON

United PULSE TRADING

Saskcan PULSE DEPOT

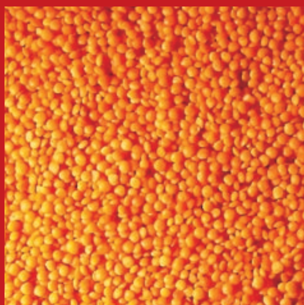
Saskcan MILESTONE

RELATED COMPANIES

arbel

ARBELLA MAKARNA


red split lentils


red football lentils


red whole lentils


yellow football lentils


green eston lentils


green laird lentils


french green lentils


desi chickpeas


chana dal


yellow split peas


yellow whole peas


green split peas


green whole peas

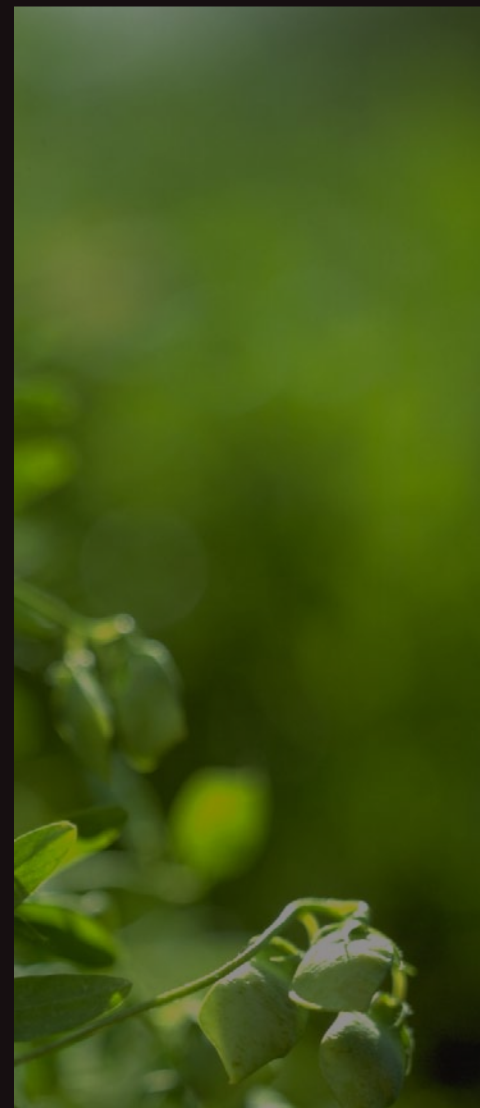

kabuli chickpeas


canary seed


faba beans

Alliance Grain Traders' core business is supplying customers with PREMIUM quality pulses

Alliance
GRAIN TRADERS



www.alliancegraintraders.com